



Vietnam Emerging
Equity Fund



Annual Report
for the year ended 31 December

2015

PXP VIETNAM EMERGING EQUITY FUND LIMITED



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Annual report
and audited financial statements
for the year ended 31 December 2015

OBJECTIVE AND HIGHLIGHTS

OBJECTIVE

The investment objective of PXP Vietnam Emerging Equity Fund Limited ("the Company") is to seek long-term capital appreciation of its assets by investing in a portfolio of equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas-listed companies.

ACQUISITION OF THE NET ASSETS OF PXP VIETNAM FUND LIMITED

On 2 February 2015, the Company issued 12,945,960 participating shares with a value of US\$79,747,000 to the shareholders of PXP Vietnam Fund Limited to acquire 100% of the net assets of PXP Vietnam Fund Limited. Former shareholders of PXP Vietnam Fund Limited received 1.07883 participating shares in the Company for each PXP Vietnam Fund Limited ordinary share previously held; the share exchange ratio being based on the respective NAV per share of the Company's Lead Series shares and PXP Vietnam Fund Limited's ordinary shares on the valuation date of 31 December 2014.

FINANCIAL SUMMARY

Financial position at 31 December	2015	2014	% change
Total Net Assets	US\$129,179,000	US\$36,603,000	252.9%
Participating shares of US\$0.05 in issue	19,716,955	5,902,381	234.1%
Net Asset Value ("NAV") per share (average)	US\$6.552	US\$6.201	5.7%
NAV per share (Lead Series)	US\$6.531	US\$6.089	7.3%

Results for the year to 31 December	2015	2014
Net profit	US\$12,506,000	US\$5,024,000
Expense ratio ¹	1.84%	2.45%

¹ The expense ratio is calculated as total expenses, excluding brokerage commissions, performance fee, foreign exchange gain/(loss) and transaction charges on the acquisition of assets, as a percentage of the average month-end net assets for the year.

OBJECTIVE AND HIGHLIGHTS (CONTINUED)

RELATIVE PERFORMANCE

Performance for years to 31 December 2015	NAV per share ²	Viet Nam Index ³
	%	%
1 year	7.3	0.9
2 years	20.9	7.6
3 years	57.9	29.6
4 years	97.2	54.1
5 years	36.9	3.6
6 years	15.6	-3.8
7 years	110.9	42.6
8 years	-44.3	-55.5
9 years	-30.6	-45.0
10 years	30.1	33.3

VIETNAM MARKET DATA

Vietnam market data at 31 December	2015	2014	% change
Vietnamese dong ("VND")/US dollar ("US\$") exchange rate	22,485	21,380	5.2%
Viet Nam Index	579.03	545.63	6.1%
Viet Nam Index adjusted US\$ rate	362.89	359.64	0.9%

² The Company adopted series accounting with effect from 29 July 2011 and from that date onwards the NAV of the Lead Series is the published NAV of the Company. Prior to that date there was a common NAV for all the shares of the Company.

³ Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated number of years up to 31 December 2015.

DIRECTORS' REPORT

The Board of Directors of PXP Vietnam Emerging Equity Fund Limited presents its report together with the audited financial statements for the year ended 31 December 2015.

OVERVIEW

The Company was incorporated in the Cayman Islands on 25 July 2005 under the provisions of the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CD-152440. Initially it was a closed-end investment company. The Company was converted to an open-ended mutual fund effective from 29 January 2010. It is registered under Section 4(3) of The Mutual Funds Law (2009 Revision), with registration number 17399.

The name of the Company was changed from Vietnam Emerging Equity Fund Limited to PXP Vietnam Emerging Equity Fund Limited on 20 November 2014.

The registered office of the Company is located at Harneys Services (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

THE BOARD OF DIRECTORS

The Board of Directors currently has five directors who are non-executive directors. No director is an employee of the Company. The members of the Board of Directors during the year and to the date of this report were:

Mr Antony Jordan

Mr Christopher Vale

Mr Brook Tellwright (resigned on 31 March 2015)

Mr Philip Smiley (appointed on 16 April 2015; appointed as Chairman on 8 July 2015)

Ms Trinh Thanh Mai (appointed on 16 April 2015)

Mr Simon Raybould (appointed on 16 April 2015)

Directors' interests

There are no service contracts in existence between the Company and any of its directors.

Following the merger of the Company with PXP Vietnam Fund Limited, effective 2 February 2015 (as described on page 4 of this annual report) a trust of which Philip Smiley's family members are the principal beneficiaries received 44,232.03 participating shares in the Company in exchange for the 41,000 ordinary shares of PXP Vietnam Fund Limited it previously held.

Simon Raybould subscribed for 16,393.443 participating shares in the Company on 1 February 2016.

At no time during the year and to the date of this report did any director have any other direct or indirect interest in the shares of the Company, and the Company has not been a party to any arrangement to enable the directors of the Company to acquire any direct or indirect interest in the shares of the Company.

Directors Registration and Licensing Law

The Directors are registered as directors pursuant to Section 4 of the Directors Registration and Licensing Law, 2014 of the Cayman Islands (the "Licensing Law").

As a registered director, each director is subject to the supervision of the Cayman Islands Monetary Authority (the "Authority") and the Authority may at any time examine the affairs or business of any director for the purpose of a general review of directorship services in the Cayman Islands or for the purpose of satisfying itself that the Licensing Law and any regulation made under the Licensing Law are being complied with.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW

Acquisition of the net assets of PXP Vietnam Fund Limited

On 2 February 2015, the Company issued 12,945,960 participating shares with a value of US\$79,747,000 to the shareholders of PXP Vietnam Fund Limited to acquire 100% of the net assets of PXP Vietnam Fund Limited. Former shareholders of PXP Vietnam Fund Limited received 1.07883 participating shares in the Company for each PXP Vietnam Fund Limited ordinary share previously held; the share exchange ratio being based on the respective NAV per share of the Company's Lead Series shares and PXP Vietnam Fund Limited's ordinary shares on the valuation date of 31 December 2014.

The acquisition of net assets was in the form of a merger in accordance with the provisions of the Cayman Islands Companies Law (2013 Revision), and PXP Vietnam Fund Limited ceased to continue as a separate legal entity. The shareholders of PXP Vietnam Fund Limited had approved the merger by passing a special resolution at the Extraordinary General Meeting held on 17 December 2014 and the holder of management shares of the Company approved the merger on the same date.

The benefits of the acquisition of the net assets of PXP Vietnam Fund Limited include: (i) economies of scale; (ii) the ability of the Company to attract a more diversified shareholder base by being able to attract investors with size restrictions and therefore reducing concentration risk for existing shareholders; and (iii) giving more flexibility in terms of portfolio realisations to fund redemptions. The benefits of being invested in a larger fund are attained without losing focus on the investment objective of the Company, through the combination of the Company's portfolio with a portfolio of similarly focused holdings (both portfolios being over 50% exposed to Vietnam-listed stocks at their respective foreign ownership limits).

Objective, strategy and activity

The primary investment objective of the Company is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas-listed companies.

From its location in Ho Chi Minh City, the Investment Manager, PXP Vietnam Asset Management Limited, utilises its team's extensive local knowledge to identify and analyse investment opportunities. A fundamental, research-driven approach is applied, which combined with the active stock selection and allocation skills of the portfolio managers aims to achieve superior returns and generate value for shareholders of the Company over the longer term.

The primary objective, strategy and activity of the Company have remained unchanged throughout the year ended 31 December 2015.

Investment policy

The Company invests in the equity securities of listed companies which either have a capitalisation or net asset value in excess of US\$20 million at the time of investment. Selection criteria focus on the identification of undervalued companies with strong prospects for future growth.

The Company also invests in the equity securities of prelisting companies if the Investment Manager believes, by reference to the average price to earnings ratio of companies then listed on the Vietnam Stock Exchanges, that the capitalisation of the particular prelisting company under consideration for investment is likely to exceed US\$20 million when it is listed.

The Company restricts its investment in prelisting companies to no more than 10% of its assets at the time of investment.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Investment policy (continued)

The Company may invest up to 30% of its assets in overseas-listed companies which have a capitalisation or net asset value which is in excess of US\$100 million at the time of investment.

The Company intends to invest across a range of industries. It is the Company's current intention to invest no more than 40% of its assets at the time of investment in any one sector.

The Company's uncommitted assets will be held on deposit, or in other high-quality fixed-income securities denominated in US dollars, by the Custodian or the Vietnam Sub-Custodian for the benefit of the Company.

The Company is permitted to borrow money and to grant security over its assets. However, the Board has determined that such borrowings are restricted to 25% of the latest available Net Asset Value of the Company at the time of the borrowing.

All guarantees or indemnities that expose the Company to a contingent liability in excess of 25% of its latest available Net Asset Value must be signed by two Directors pursuant to a duly authorised resolution of the Board in order to be valid.

The Company may hold up to 30% of its assets in cash at any time before or after the Investment Manager determines that the Company has become fully invested should the Investment Manager consider that market conditions warrant such a move.

The Company observes the following restrictions:

- (a) the Company will not invest more than 20% of its assets at the time of investment in the shares of a single issuer;
- (b) no more than 20% of the assets of the Company may be exposed to the creditworthiness or solvency of a single counterparty, in each case calculated at the time of investment;
- (c) the Company will not take or seek to take legal or management control of the issuer of underlying investments;
- (d) the Company will not directly invest in real property;
- (e) the Company will not directly invest in commodities; and
- (f) the value of the Company's holding of units or shares in other collective investment schemes may not in aggregate exceed 10% of its total Net Asset Value.

The restrictions outlined in (a), (b) and (f) apply to any investment at the time that investment is made.

Performance and position

Over the financial year to 31 December 2015, the NAV per share for the Lead Series of PXP Vietnam Emerging Equity Fund increased from US\$6.089 to US\$6.531, a gain of 7.3% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 0.9% over the same period. The VNI is a capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Performance and position (continued)

The following table shows the holdings which contributed more than +/- 5% of the net investment income for the Company in the years to 31 December 2015 and 31 December 2014.

Contribution to net investment income

Holding	Return ⁴	Net gains and dividends	Relative contribution
	%	US\$'000	%
<i>Year ended 31 December 2015</i>			
Vinamilk	53.9	12,484	84.1
Cotec Construction JSC	83.5	2,656	17.9
Vietnam Container Shipping JSC	71.6	2,493	16.8
FPT Corporation	18.8	1,577	10.6
Binh Duong Minerals and Construction JSC	56.6	1,123	7.6
Other portfolio holdings - net	(5.9)	(5,493)	(37.0)
Net investment income		14,840	
<i>Year ended 31 December 2014</i>			
Hoa Phat Group JSC	46.5	1,778	28.4
Ho Chi Minh City Securities Corporation	22.7	780	12.4
FPT Corporation	29.1	767	12.2
Petrovietnam Drilling and Well Services Corporation	17.4	396	6.3
Hoang Anh Gia Lai JSC	21.4	377	6.0
Danang Ruber JSC	30.7	323	5.2
Bentre Aquaproduct Import and Export JSC	44.2	323	5.2
Vinamilk	(13.2)	(1,009)	(16.1)
Other portfolio holdings - net	17.4	2,534	40.4
Net investment income		6,269	

The table on page 2 and graph on page 13 present the historic performance of the Company since its launch in comparison to the VNI.

Investments held as at 31 December 2015 were valued at US\$126,540,000 (31 December 2014: US\$36,947,000). Changes to investments are shown in Note 5 to the financial statements on pages 29 to 31.

Net assets attributable to participating shareholders at 31 December 2015 amounted to US\$129,179,000 (31 December 2014: US\$36,603,000). The Company had no borrowings as at 31 December 2015 or 31 December 2014.

⁴ Return comprises net gains/(losses) on financial assets at fair value through profit or loss and dividend income divided by opening valuation and cost of any purchases in the year.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Economy and Stock Market

Vietnam macroeconomic conditions remained strong throughout the financial year to 31 December 2015. GDP growth of 6.7% for the year 2015 was the highest level since 2011, with expanding industrial output being driven by foreign direct investment. Price inflation which had reduced from over 20% in 2011 to 1.8% for the year 2014, fell further to 0.6% for the year 2015. Following two consecutive years of trade surplus, there was a trade deficit of US\$3.2 billion for the year 2015 with a major contributing factor being the increase in imports of machinery. After remaining relatively stable over the previous three years, the Vietnamese dong (the "Dong") depreciated by 5.2% against the US dollar over the financial year.

The favourable economic conditions supported a rally in the Vietnam stock markets early in 2015, with the VNI increasing by 10% from the start of the year to reach the 600 points mark on 4 March. From there, the implementation of a new Decree limiting bank lending for securities investment and the impact of global market factors, including the Greek financial crisis and falling oil prices, dragged down the market to a VNI low of 528.95 points on 18 May. The market rallied from mid-May, with investors encouraged by positive developments including progress being made on the Trans Pacific Partnership negotiations and the release by the Government of Decree 60 which allows the removal of foreign ownership limits on public companies, except for banks and companies in conditional sectors. The VNI reached a high for the year of 638.69 points on 14 July, before the global turmoil triggered by the 3% devaluation in the Chinese yuan in mid-August brought the VNI back down to 526.93 points by 24 August. Thereafter, the market rallied to exceed 600 points again at the end of October, but once more was dragged back down by global market factors including concerns on the slowdown in China, low oil prices and the interest rate increase by the US Federal Reserve. The delay in issuing clear implementing guidance for Decree 60 has also held back the Vietnam stock markets, and the VNI closed the year at 579.03 points.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks affecting the Company, which fall under the headings of market risks, performance risks, shareholder risks, regulatory risks and control systems risks. The Board performs a risk assessment and risk management process which is updated and reviewed at least on an annual basis. The Board reviews and agrees policies for managing risks, and the summaries of these are set out below.

Market risks

The Company's assets consist mainly of listed securities and the principal risks are market related such as price volatility, foreign exchange risk and inflation risk. The Company is exposed to market price risk on all of its investments and is subject to additional risks arising from the concentration of investments in the Vietnam stock markets, resulting in the Company being heavily dependent on the performance of these particular stock markets.

The Vietnam stock markets may be impacted by global market factors and by geopolitical risks, including the possibility of maritime disputes with China.

Financial risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 41 to 46 together with summaries of the policies for managing these risks.

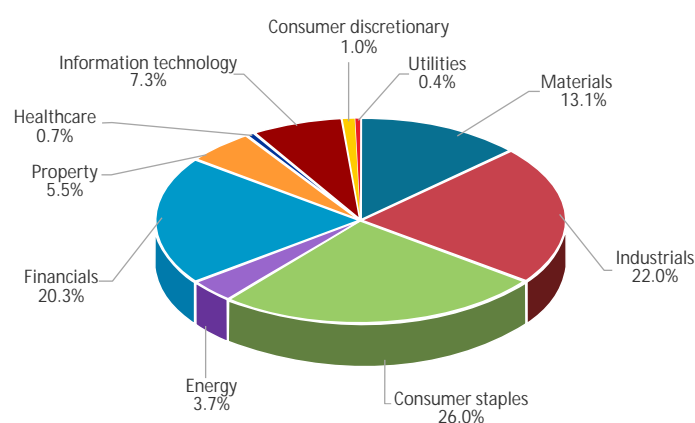
DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Market risks (continued)

The Company invests across a range of industries. The current intention is to invest no more than 40% of the Company's assets at the time of investment in any one sector. An analysis of the portfolio by industry sector is included in Note 5 to the financial statements on page 30 and in the chart below.

Industry sector analysis as at 31 December 2015



Performance risks

The achievement of the Company's performance objective requires the acceptance of risk. Strategy, asset allocation and stock selection might lead to underperformance in comparison to the VNI. The Investment Manager has significant discretion, subject to the Company's investment objective, policy and guidelines, in selecting, evaluating, executing, monitoring and realising investments on the Company's behalf. The Investment Manager has substantial experience in investing and managing investments in Vietnam, but there is no guarantee that its investments for and the management of the Company will produce long-term capital appreciation of the assets of the Company.

Management of these risks is carried out by the Board which, at each Board meeting, considers the asset allocation of the portfolio at an industry sector level and reviews significant holdings, recent trading and expenses. The Investment Manager is responsible for actively monitoring the portfolio selected in accordance with the investment policy and restrictions. The NAV per share of the Company is calculated and published each working day.

Shareholder risks

The Company is exposed to regular cash redemptions as participating shares of the Company may be redeemed on demand at the holder's option on any dealing day after giving notice of 30 business days. Shareholder risks include the risk of substantial withdrawals by shareholders within a short period of time which could require the Company to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of assets and/or disrupting the investment strategy.

The Investment Manager seeks to mitigate this risk by endeavouring to raise new subscriptions for the Company. Furthermore, shares are redeemed and issued in accordance with the Prospectus of the Company, which includes the ability to restrict redemptions in specified circumstances.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Regulatory risks

The investment activities of the Company are primarily focused on Vietnam. The value of the Company's assets may be affected by regulatory changes, which could include changes in Vietnamese government policies relating to foreign investment, taxation, securities market regulations and foreign currency conversion and repatriation.

The Investment Manager reports to the Board on any regulatory developments in Vietnam. The Board considers regulatory risks in general and any Vietnam-specific matters in the annual risk assessment process.

Control systems risks

The Company is dependent on the Investment Manager's control systems and those of its Custodian and Administrator, all of which are monitored and managed by the Investment Manager. The Investment Manager provides a regular report to the Board on compliance matters and internal control. A Director performs an annual review of internal controls in place at the Investment Manager. This was completed and the results reported to the Board in January 2016.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and is accountable to the shareholders. The Company's governance model reflects the need to oversee the activities of the Company, and the Board believes it is appropriate for an open-ended mutual fund. The Board is responsible for the overall policies, control, direction, review, instructions and supervision of the Company and its portfolio of assets. The Board at the date of this report consists of five members, all of whom are independent and act independently of the Investment Manager.

The Board of Directors has overall responsibility for the Company's affairs. The Board delegates through the Investment Management Agreement and through specific instructions the day to day management of the Company to the Investment Manager. The Company has no executives or employees.

Matters reserved for the Board's decision include, inter alia: decisions on strategy; establishing investment objectives, policies and restrictions; gearing; declaration of dividends; corporate governance; convening general meetings; Board appointments outside of general meetings; and the appointments of the Custodian, the Administrator, the Registrar, the Company Secretary (if any) and the Auditor.

The Board meets formally three times a year on average and between these meetings there is regular contact with the Investment Manager. Other meetings are arranged as necessary. The Board ensures that at all times it conducts its business with the interests of all shareholders in mind and in accord with Directors' duties.

Directors receive the relevant briefing papers in advance of Board meetings. The Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Investment Manager attend each Board meeting. All Board meetings are formally minuted.

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The EU Alternative Investment Fund Managers Directive (No. 2011/61/EU) (the "AIFMD") imposes obligations on the managers ("AIFM") of alternative investment funds ("AIF") in the EU or managers who market shares in such funds to EU investors. The Board has determined that the Company is an AIF and that the Investment Manager is the AIFM of the Company for the purposes of the AIFMD.

The Investment Manager notified the UK Financial Conduct Authority on 10 June 2014 that it would market the shares of the Company under the UK National Private Placement Regime.

DIRECTORS' REPORT (CONTINUED)

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

Transparency requirements

In accordance with the transparency requirements specified by the AIFMD, an annual report of an AIF that is marketed in the EU is required to include:

- (a) a balance sheet or a statement of assets and liabilities;*
- (b) an income and expenditure account for the financial year;*
- (c) a report on the activities of the financial year;*
- (d) any material changes in the information listed in Article 23 (Disclosure to investors) during the financial year covered by the report; and*
- (e) specified disclosures of remuneration paid by the AIFM to its staff.*

The Board of Directors confirms that the Annual Report and Financial Statements of the Company for the year ended 31 December 2015 includes the balance sheet, income and expenditure account and report on the activities of the financial year as required by the AIFMD.

The Board of Directors confirms that there are no material changes in the information disclosed to shareholders in the updated Prospectus issued in April 2015 up to the end of the financial year.

The remuneration disclosures are as follows.

Remuneration of the Investment Manager

	Year ended 31 December	
	2015	2014
	US\$	US\$
Total remuneration paid to the staff of the Investment Manager		
Fixed	1,318,081	1,357,398
Variable	173,807	250,757
Total	<u>1,491,888</u>	<u>1,608,155</u>

The amount of remuneration set out above relates to 24 members of senior management and staff (2014: 26). This is the total remuneration of senior management and staff, as there is no allocation of costs performed between the Company and other portfolios managed by the Investment Manager.

The Investment Manager has a policy to allocate a fixed percentage of profit of the Investment Manager for each financial year to a bonus pool. The directors of the Investment Manager decide on the allocation of the bonus pool to each department and, in consultation with the head of each department, the allocation of the bonus to individual staff members based on an assessment of their performance and contribution to the company during the financial year.

DIRECTORS' REPORT (CONTINUED)

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

Transparency requirements (continued)

Remuneration of senior management and staff of the Investment Manager whose actions have a material impact on the risk profile of the Company

	Year ended 31 December	
	2015	2014
	US\$	US\$
Total remuneration paid		
Senior management	851,863	878,518
Staff	-	-
Total	<u>851,863</u>	<u>878,518</u>

The amount of remuneration set out above relates to five members of senior management.

Periodic disclosures

AIFMs are required for each AIF that is marketed in the EU to periodically disclose to investors:

- (a) *the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;*
- (b) *any new arrangements for managing the liquidity of the AIF; and*
- (c) *the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.*

The Board of Directors confirms that no assets of the Company were subject to special arrangements arising from their illiquid nature and there were no new arrangements for managing the liquidity of the Company employed during the financial year ended 31 December 2015 and up to the date of approval of this Annual Report.

The risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks are described in the Directors Report section on Principal Risks and Uncertainties on pages 7 to 9 and in Note 17 to the financial statements on pages 41 to 46.

AIFMs marketing AIFs in the EU that employ leverage are required, for each AIF, to disclose:

- (a) *any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement; and*
- (b) *the total amount of leverage employed by the AIF.*

The Company has not employed leverage during the financial year ended 31 December 2015 and up to the date of approval of this Annual Report.

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT TO THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance, cash flows and changes in net assets attributable to shareholders for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with International Financial Reporting Standards. The Board of Directors is also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge that the accompanying financial statements as set out on pages 19 to 46, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the financial position, financial performance and cash flows of the Company.

On behalf of the Board of Directors

Philip Smiley
Chairman
15 April 2016

INVESTMENT MANAGER'S REPORT

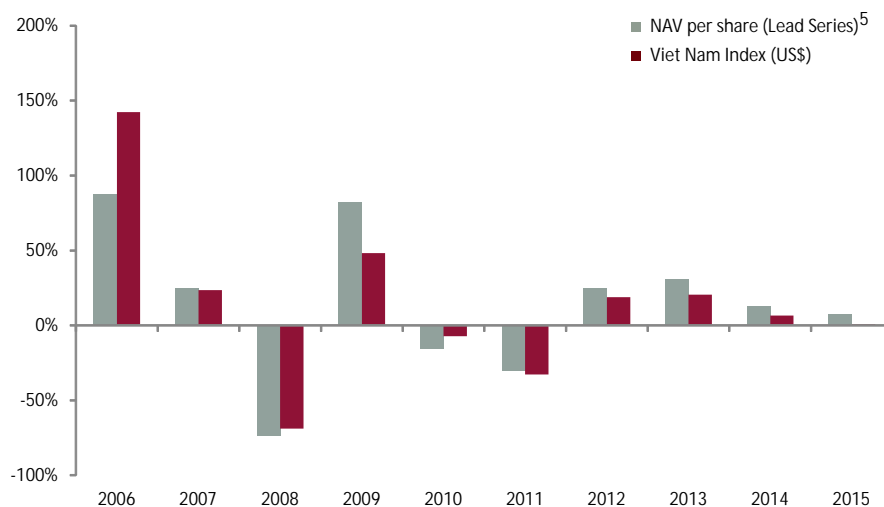


The Company is managed by PXP Vietnam Asset Management Limited, a British Virgin Islands company incorporated in October 2002. Kevin Snowball, the Chief Executive Officer and Chief Investment Officer of the Investment Manager has been Portfolio Manager since the Company's inception in 2005.

REVIEW OF THE YEAR

During the year under review the Company's Net Asset Value ("NAV") per share for the Lead Series increased by 7.3% net of all fees, from US\$6.089 to US\$6.531. This compares with an increase in the Viet Nam Index ("VNI") of 0.9% in US Dollar terms over the same period and represents the fifth consecutive year that NAV performance has beaten that of the benchmark, with the cumulative performance over that period being more than 10 times the return of the index. The Vietnamese Dong depreciated by 5.2% against the US Dollar over the period under review.

The graph below presents the year-on-year NAV performance as compared to that of the VNI in US Dollar terms for the financial years since inception.



STOCK MARKET

The year started well enough, with the VNI advancing 6.1% in January in a state bank-led rally. That was derailed by a Decree limiting bank lending to securities companies for the provision of margin facilities, and when enforcement became reality at a time of concern about Greece and the prospect of higher interest rates in the United States a renewed attempt to breach the 600 level on the VNI turned into a mild rout, with the index falling back just below 530 on 18 May 2015. The National Assembly began its deliberations the next day and a steady flow of reformist rhetoric inspired a trend reversal which enabled the index to add 10% by 26 June, the day on which the government announced the impending broad removal of foreign ownership limits via Decree 60. That move, to the complete surprise of virtually all market participants, drove the index up a further 10% to within a whisker of the six year high set in September 2014 within three weeks. A couple of attempts to breach the 640 level failed before China pulled the rug from under the world's markets with three devaluations of the Yuan in three days and the VNI plunged by more than 80 points in the latter part of August before investors realised that the impact might in fact be mildly positive given Vietnam's relatively huge trade deficit with China.

⁵ The Company adopted series accounting with effect from 29 July 2011 and from that date onwards the NAV of the Lead Series is the published NAV of the Company. Prior to that date there was a common NAV for all the shares of the Company.

INVESTMENT MANAGER'S REPORT (CONTINUED)

STOCK MARKET (CONTINUED)

The remainder of 2015 saw the index subject to the ebb and flow of optimism regarding progress, or the lack thereof, on foreign ownership limit reform, which we remain convinced is the single most important step needed on this market's path to maturity. Overall from the end of August 2015 to the close of the period under review the market advanced by a mere 2.5% (in both Dollars and Dong) in spite of all parties concerned signing up for (potentially, if ratified) some trans-Pacific free trade, suggesting a market as yet unconvinced by a barrage of potentially very good news, both micro and macro.

ECONOMY

The Vietnamese economy continues to reap the rewards of the government's resolute application of consistently strong monetary policy over nearly five years, and remains in arguably the best shape it has ever been. The Dong has been among the best performing currencies in Asia during that period, obviously assisted to an extent by the managed exchange rate against the US Dollar, but the pressures previously caused by high inflation and large trade deficits have been negated for the time being at least, and both are expected to continue to improve, particularly the latter over the longer term as trade surpluses become the norm. The Dong was not immune to the knock-on effects of the Chinese devaluations in August 2015 - a major contributing factor to the almost 5.2% devaluation for the year - but in reality the economy is likely to benefit from the impact of more favourable exchange rates on the country's US\$30 billion trade deficit with China. The Dong has strengthened by 0.8% in 2016 to the time of writing.

The Consumer Price Index rose by 0.6% in 2015, a startling contrast to the 18.6% recorded by the General Statistics Office for 2011, albeit via steady improvements to 9.3%, 6.0% and 1.84% in 2012 to 2014 respectively. We have probably now seen the slowest rate of advance in this cycle, with the first quarter of 2016 at 1.69% on an annualised basis, and expect the full year to come in at around 3%.

Vietnam recorded a US\$3.2 billion trade deficit in 2015 after three years of surplus. This should not be considered a negative since a large proportion of the shortfall was spent on the importation of machinery in tandem with FDI flows, and this will further drive production for exports, even as the first quarter of 2016 delivered a surplus of US\$1.36 billion, according to the General Customs Department. We see Vietnam continuing to move up the value chain thanks to higher value add production as the country further diversifies from garments to electronics, and the success of this move is beginning to attract associated industries which should lead to further margin expansion for the country as a whole.

Gross Domestic Product ("GDP") growth continued to accelerate in 2015 at 6.68%, after 5.98% in 2014, 5.4% in 2013 and 5.0% in 2012. The first quarter of 2016 provided a disappointing 5.46% expansion – albeit a rate that keeps Vietnam very close to the top of the global growth table – but we still see the full year close to 6.5% absent any external shocks. All in all a reasonably benign macroeconomic environment, we feel.

OUTLOOK AND STRATEGY

The Vietnam market remains hidebound by its frustratingly narrow investor base. Foreign investors contribute between 10 and 15% of average daily turnover at the Ho Chi Minh City exchange, which obviously means that the remaining 85 to 90% is the product of domestic investors. Given the lack of domestic institutional involvement beyond a few proprietary trading books and various small formal and informal funds we infer that turnover is dominated by retail investors, which has never in our experience been a good look for a market in the long term, and is especially frustrating in this particular short term, resulting as it does in an obsession with technical analysis and a most unusual reluctance to push through theoretical resistance levels however good the fundamental arguments for doing so.

INVESTMENT MANAGER'S REPORT (CONTINUED)

OUTLOOK AND STRATEGY (CONTINUED)

In our opinion the VNI is well below the level that current conditions warrant. Many of the world's stock markets have set new highs on multiple occasions since the global financial crisis without having achieved anything like the progress that Vietnam has in the intervening years. The local index has not breached the 650 point level - last seen on the way down, and just over 10% above the current level - for over eight years. Whilst we do not believe that a test of the all-time high at 1,170 is either imminent or justified we do see significant upside once the leading companies are able to improve access to foreign investors and thereby provide sufficient diversity in the opinions of the investor base to overwhelm the resistance.

The key to achieving this is the relaxation of foreign ownership limits in the stocks which are already at the maximum 49%. The market has become somewhat sceptical of the benefits of limit removal as the price performance of the handful of companies that have done so since the basic legal framework was put into place last September has been somewhat muted, except in the case of Everpia (EVE) - the one stock that was actually at the maximum foreign limit before the limit was removed – the price per share of which had risen by 99.2% to the time of writing since removal on 3 February 2016.

Vinamilk is the one stock that foreign investors have wanted to own over the past several years and should by rights and logic have been first to remove its limit for the market to be able to clearly observe the benefits of open access. Unfortunately that wasn't to be but management is currently doing its very best to clear the way to unfettered foreign ownership in spite of a lack of clear leadership or guidance from the relevant authorities, and we remain hopeful that the situation will be resolved before the end of May 2016, after which we foresee that resistance will prove futile.

In the meantime, as usual, we will continue with our long-term strategy to build and maintain a high conviction portfolio providing Shareholders with access to the highest quality companies listed in Vietnam.

On behalf of the Investment Manager

Kevin Snowball
15 April 2016

TEN LARGEST INVESTMENTS

Ten largest investments as at 31 December 2015		Valuation	% of NAV
		US\$'000	%
VNM	<p>Vietnam Dairy Products JSC⁶ (Vinamilk)</p> <p>Vinamilk is the largest producer and distributor of dairy products in Vietnam and has expanded its production capacity to capitalise on growing demand. VNM is currently the largest listed company in Vietnam and is arguably the country's most respected company internationally.</p>	30,923	23.9
HCM	<p>Ho Chi Minh City Securities Corporation</p> <p>Ho Chi Minh City Securities Corporation is the second largest broker in terms of market share on the Ho Chi Minh City Stock Exchange with 12.5% in 2015. HCM offers securities brokerage, research and investment banking, and is recognised for its experienced, relatively conservative management team and good corporate governance standards.</p>	12,150	9.4
FPT	<p>FPT Corporation</p> <p>FPT Corporation maintained its position in recent years as the leading ICT company in Vietnam with top three market share across most business lines including systems integration, software outsourcing and internet services. Substantial labour cost advantages over Indian and other international peers underpin its growing software outsourcing business.</p>	9,137	7.1
HPG	<p>Hoa Phat Group</p> <p>Hoa Phat Group JSC is Vietnam's largest private construction steel producer with 22% market share. HPG has significant cost advantages over its domestic competitors due to its vertically integrated production process.</p>	8,589	6.6
STB	<p>Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank)</p> <p>Sacombank was the first Vietnamese bank to be listed (in 2006) and is one of the three largest private joint stock banks in the country with total assets of US\$9.5 billion as at 30 September 2015, having grown its total assets and shareholders' equity by 864% and 596% respectively between 2006 and 2015.</p>	6,839	5.3

⁶ "JSC" is an abbreviation for "Joint Stock Company"

TEN LARGEST INVESTMENTS (CONTINUED)

Ten largest investments as at 31 December 2015		Valuation	% of NAV
		US\$'000	%
DRC	<p>Danang Rubber JSC</p> <p>Danang Rubber JSC is one of the leading tyre manufacturers in Vietnam with over 30 years in operation. DRC ranks number one in producing tyres for trucks in the domestic market and was the first company in Vietnam to produce radial tyres.</p>	6,068	5.1
CTD	<p>Cotec Construction JSC</p> <p>Cotec Construction JSC (CotecCons) is one of the leading construction groups in Vietnam. CotecCons has been the general contractor for a large number of projects in both civil and industrial sectors in Vietnam and has established a reputation for high quality construction and civil engineering.</p>	5,671	4.4
VSC	<p>Vietnam Container Shipping JSC</p> <p>Vietnam Container Shipping JSC is one of the leading container transport companies in Vietnam. VSC has its own container terminal and warehouse in Hai Phong City which is running near full capacity, and has trucking lines for container and conventional cargo moving services throughout Vietnam.</p>	5,662	4.4
REE	<p>Refrigeration Electrical Engineering Corporation</p> <p>REE Corporation was one of the first two listed stocks on the Ho Chi Minh City Stock Exchange. Its core businesses include mechanical and engineering services - in which it is the largest and longest established company in Vietnam - the manufacture and distribution of white goods and office leasing. REE has been focusing its investment portfolio in utilities and energy in recent years which accounted for nearly 48% of its total assets as at September 2015.</p>	5,269	4.1
PVD	<p>Petrovietnam Drilling and Well Services Corporation</p> <p>Petrovietnam Drilling and Well Services JSC provides drilling, drilling-related services and other technical services. PVD has over 50% of the drilling market in Vietnam. Currently, it operates five owned rigs offshore Vietnam.</p>	4,642	3.6
		95,490	73.9



Independent Auditor's Report

To the shareholders of PXP Vietnam Emerging Equity Fund Limited

We have audited the accompanying financial statements of PXP Vietnam Emerging Equity Fund Limited (the "Company"), as set out on pages 19 to 46, which comprise the balance sheet as at 31 December 2015, and the statement of comprehensive income, statement of changes in net assets attributable to participating shareholders and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body represented by the Company in accordance with the terms of our engagement letter dated 27 January 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
15 April 2016

BALANCE SHEET

	Notes	As at 31 December	
		2015	2014
		US\$'000	US\$'000
Assets			
Current assets			
Financial assets at fair value through profit or loss	5	126,540	36,947
Other receivables and prepayments	8	368	13
Cash and cash equivalents	9	2,628	86
Total assets		129,536	37,046
Liabilities			
Current liabilities			
Redemptions payable		136	-
Accrued fees and other payables	10	221	443
Total liabilities (excluding net assets attributable to participating shareholders)		357	443
Net assets attributable to participating shareholders	11	129,179	36,603
Net asset value per participating share (average) (US\$ per share)	16	6.552	6.201
Net asset value per participating share (Lead Series) (US\$ per share)	16	6.531	6.089

The notes on pages 23 to 46 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2015	2014
		US\$'000	US\$'000
Income			
Dividend income		5,429	1,402
Net gains on financial assets at fair value through profit or loss	5	9,411	4,867
Net investment income		14,840	6,269
Expenses			
Management fee	12.1	(1,656)	(782)
Performance fee	12.1	(81)	(253)
Custodian, administration and secretarial fees	13	(199)	(95)
Transaction costs		(41)	(18)
Directors' fees	12.2	(81)	(27)
Foreign exchange loss - net		(15)	(3)
Expenses incurred on the acquisition of the net assets of PXP Vietnam Fund Limited		(159)	-
Other operating expenses	14	(102)	(67)
Total operating expenses		(2,334)	(1,245)
Profit before tax		12,506	5,024
Income tax expense	15	-	-
Net profit for the year		12,506	5,024
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(6,071)	(507)
Increase in net assets attributable to participating shareholders from operations		6,435	4,517

The notes on pages 23 to 46 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Net assets attributable to participating shareholders at 1 January	36,603	32,329
Proceeds from participating shares issued	36,420	5,000
Redemptions of participating shares	(30,026)	(5,243)
Issue of shares on acquisition of net assets of PXP Vietnam Fund Limited (Note 4)	79,747	-
Total transactions with participating shareholders for the year	86,141	(243)
Net profit for the year	12,506	5,024
Currency translation differences	(6,071)	(507)
Increase in net assets attributable to participating shareholders from operations	6,435	4,517
Net assets attributable to participating shareholders at 31 December	129,179	36,603

The notes on pages 23 to 46 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Cash flows from operating activities		
Purchases of financial assets at fair value	(17,058)	(5,345)
Proceeds from sales of financial assets at fair value	10,162	5,306
Dividends received	5,102	1,458
Operating expenses paid	(2,456)	(1,372)
	<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities	(4,250)	47
	<u> </u>	<u> </u>
Cash flows from investing activities		
Cash acquired on acquisition of net assets of PXP Vietnam Fund Limited, net of expenses paid	262	-
	<u> </u>	<u> </u>
Net cash generated from investing activities	262	-
	<u> </u>	<u> </u>
Cash flows from financing activities		
Proceeds from participating shares issued	36,420	5,000
Redemptions of participating shares	(29,890)	(5,243)
	<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities	6,530	(243)
	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	2,542	(196)
Cash and cash equivalents at beginning of year	86	282
	<u> </u>	<u> </u>
Cash and cash equivalents at end of year (Note 9)	<u>2,628</u>	<u>86</u>

A significant non-cash transaction in the year ended 31 December 2015 was the issue of 12,945,960 participating shares to the shareholders of PXP Vietnam Fund Limited to acquire 100% of the net assets of PXP Vietnam Fund Limited as at 2 February 2015 (see Note 4).

The notes on pages 23 to 46 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

PXP Vietnam Emerging Equity Fund Limited ("the Company") was incorporated in the Cayman Islands on 25 July 2005. Initially it was a closed-end investment company. The Company was converted to an open-ended mutual fund effective from 29 January 2010.

The name of the Company was changed from Vietnam Emerging Equity Fund Limited to PXP Vietnam Emerging Equity Fund Limited on 20 November 2014.

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas-listed companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

2.1 Basis of preparation

The financial statements of PXP Vietnam Emerging Equity Fund Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(a) Amendments to standards that are effective for the year ended 31 December 2015

There are no new standards, amendments to existing standards or IFRIC interpretations that are effective for the year ended 31 December 2015 that have a material impact on the Company's financial statements.

(b) New standard that is not yet effective and has not been early adopted by the Company

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models in IAS 39 being replaced with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Adoption of IFRS 9 is expected to have minimal impact on the financial statements of the Company.

There are no other new standards, amendments to existing standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The functional currency of the Company is the Vietnamese Dong, which reflects the Company’s primary activity of investing in equity securities of listed or prelisting Vietnamese companies. The majority of the Company’s investments are originally made in Dong denominated securities and will be realised in Dong.

The Company has adopted the US dollar as its presentation currency, as its shareholders are based outside SR Vietnam and the US dollar is a more widely used and recognised currency than the Dong. The shareholders’ investments in the Company are made in US dollar and any redemptions will be paid to the shareholders in US dollar.

The Company’s results and financial position are translated from its functional currency to its presentation currency as follows:

- (i) assets and liabilities, including participating shares, are translated at the closing rate at the balance sheet date;
- (ii) equity items are translated using the exchange rate at the transaction date;
- (iii) income and expenses are translated using the exchange rate at the transaction date; and
- (iv) all exchange differences arising on translation are recognised in the statement of comprehensive income within “Other comprehensive income/(loss)”.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the balance sheet date.

Foreign exchange gains and losses arising from translation are recognised in the statement of comprehensive income within “Foreign exchange gain/(loss) – net”.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income within “Net gains/(losses) on financial assets at fair value through profit or loss”.

2.3 Financial assets at fair value through profit or loss

(a) Classification

The Company classifies its investments in equity securities, and related derivatives, as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets at fair value through profit or loss (continued)

(a) Classification (continued)

This category has two sub-categories:

(i) Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. Investments in equity securities are classified as designated by the Board of Directors at fair value through profit or loss at inception. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Financial assets held for trading

Derivatives are categorised as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

(b) Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income in the period in which they arise.

(d) Fair value estimation

Fair value of listed equity securities is based on their closing prices at the last official close of the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange or on quoted market prices at the close of trading at another relevant stock exchange on the relevant valuation day.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Valuation techniques include the use of comparable recent arm's length transactions, earnings multiples, net asset valuations, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

From time-to-time, the Company may hold rights to acquire shares, which are financial instruments that are not quoted in an active market. Fair values of such derivative financial instruments are determined using valuation techniques, usually an option pricing model. The inputs to the valuation models and the results arising are reviewed by experienced personnel at the Investment Manager, independent of the valuation team.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial assets at fair value through profit or loss (continued)

(e) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

2.4 Due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the balance sheet date. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowing in current liabilities on the balance sheet.

2.7 Accrued fees and expenses

Accrued fees and expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.8 Participating shares

The Company issues one class of participating shares which are redeemable at the holder's option. Participating shares are issued at prices based on the net asset value per share of the Company's Lead Series at the time of issue. Subscription monies received before the subscription dealing day are recorded as advances from shareholders in current liabilities.

The Company issues a new series of shares each time there is a subscription. Up to 31 December 2015, if a performance fee was payable on the Lead Series in respect to a financial year, every series on which a performance fee was payable in respect to that financial year would be consolidated into the Lead Series at the start of the subsequent financial year. From 2016 onwards, if a performance fee is payable on more than one series in respect to a financial year, every series on which a performance fee is payable in respect to that financial year will be consolidated into the Lead Series or the earliest issued series on which a performance fee is payable.

Participating shares can be put back to the Company, on the terms set out in the Prospectus, for cash equal to the net asset value per share of the relevant series as adjusted for the applicable redemption fee and any price adjustments and transaction costs as set out in the Prospectus.

The participating shares are classified as financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Participating shares (continued)

The participating shares are carried at the redemption amount that would be payable at the balance sheet date, before adjustment for the applicable redemption fee and any price adjustments and transaction costs, if the holder exercises the right to put the shares back to the Company.

If a share redemption order is received and approved by the Fund Administrator, the amount payable is posted to share redemption payables on the applicable redemption dealing day, based on the net asset value per share of the relevant series on the relevant valuation point as adjusted for the applicable redemption fee and any price adjustments.

2.9 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

2.10 Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include commissions paid to brokers. Transaction costs, when incurred, are immediately recognised as an expense in the statement of comprehensive income.

2.11 Dividend distribution on participating shares

Dividends on participating shares are recognised as liabilities in the statement of financial position and as expenses in profit and loss when the dividends are approved by the Board of Directors.

2.12 Current and deferred taxation

The Company is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no corporate tax, capital gains tax or other taxes payable by the Company.

The Company is subject to tax of 0.1% of the gross proceeds when it sells all or part of its investments in domestic securities in Vietnam. Equity shares of non-public joint stock companies and ownership interests in limited liability companies in Vietnam are not regarded as securities and are subject to income tax on any gain made. The Company classifies tax on sales of securities as a deduction from net gains/(losses) on financial assets in the statement of comprehensive income and tax on sales of interests in non-public joint stock companies or limited liability companies within income tax expense in the statement of comprehensive income.

Dividends received by the Company from equity investments in Vietnam are not subject to withholding taxes. Dividends received by the Company from holdings in investment funds in Vietnam, interest from cash deposits at banks operating in Vietnam, interest from Vietnamese bonds and interest from certificates of deposits are subject to withholding taxes. The Company classifies withholding taxes on dividends and interest within income tax expense in the statement of comprehensive income.

The Company is not liable for Vietnamese taxes on its income derived from outside Vietnam and capital gains derived from sale or other disposal of its non-Vietnamese investments.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 ESTIMATES AND JUDGEMENTS

3.1 Accounting estimates and assumptions

The key area of estimation and assumption in applying accounting policies that has a significant effect on the amounts recognised in the financial statements is noted below.

Fair value of securities not quoted in an active market

The fair value of equity securities that are not traded in an active market is determined by using valuation techniques. The research team of the Investment Manager performs the valuations of unlisted equity holdings using its own models, which primarily employ earnings multiples, discounted cash flows and net asset valuation methods, with the application of marketability discounts. The valuations are reviewed by the Chief Financial Officer of the Investment Manager on a monthly basis and are reviewed and approved by the Board of the Company on a quarterly basis.

3.2 Judgements in applying accounting policies

The key area of judgement in applying accounting policies that has a significant effect on the amounts recognised in the financial statements is noted below.

Functional currency

Management considers the Dong the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments are originally made in Dong denominated securities and will be liquidated and realised in Dong. Expenses of the Company are mainly denominated in US dollar, with the largest expenses being based on the net asset value of the Company which is substantially determined by the value of the investments held. The funds from financing activities of the Company are generated in US dollar, but in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* priority is given to the primary indicators when determining the functional currency.

4. ACQUISITION OF THE NET ASSETS OF PXP VIETNAM FUND LIMITED

On 2 February 2015, the Company issued 12,945,960 participating shares to the shareholders of PXP Vietnam Fund Limited to acquire 100% of the net assets of PXP Vietnam Fund Limited. Former shareholders of PXP Vietnam Fund Limited received 1.07883 participating shares in the Company for each PXP Vietnam Fund Limited ordinary share previously held; the share exchange ratio being based on the respective NAV per share of the Company's Lead Series shares and PXP Vietnam Fund Limited's ordinary shares on the valuation date of 31 December 2014.

The acquisition of net assets was in the form of a merger in accordance with the provisions of the Cayman Islands Companies Law (2013 Revision), and PXP Vietnam Fund Limited ceased to continue as a separate legal entity. The assets of PXP Vietnam Fund Limited were transferred to the Company and liabilities of PXP Vietnam Fund Limited assumed by the Company as at 2 February 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ACQUISITION OF THE NET ASSETS OF PXP VIETNAM FUND LIMITED (CONTINUED)

The following table summarises the cost of the net asset acquisition and the amounts of the assets acquired and liabilities assumed recognised at the net asset acquisition date.

	US\$'000
Consideration at 2 February 2015	
Equity instruments (12,945,960 participating shares)	79,747
	<u>79,747</u>
Total consideration transferred	<u>79,747</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	435
Financial assets at fair value through profit or loss	79,673
Dividends receivable	25
Due to broker	(356)
Accrued fees and other payables	(30)
	<u>79,747</u>
Total identifiable net assets	<u>79,747</u>

The fair value of the 12,945,960 participating shares issued on 2 February 2015 is based on the net asset value per share of the Lead Series of the Company at the close of the previous business day, 30 January 2015.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Financial assets designated at fair value through profit or loss at inception		
- Listed equity securities	125,901	36,411
- Unlisted equity securities	639	536
	<u>126,540</u>	<u>36,947</u>
Total financial assets at fair value through profit or loss	<u>126,540</u>	<u>36,947</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movements in financial assets at fair value through profit or loss in the year:

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Opening balance	36,947	32,538
Purchases	16,703	5,345
Acquired on acquisition of the net assets of PXP Vietnam Fund Limited	79,673	-
Sales proceeds	(10,162)	(5,306)
Net gains recognised in profit or loss	9,411	4,867
Difference arising on translation to presentation currency	(6,032)	(497)
Closing balance	126,540	36,947

Analysis of financial assets at fair value through profit or loss by industrial sector:

	As at 31 December			
	2015		2014	
	US\$'000	%	US\$'000	%
Consumer discretionary	1,313	1.0	-	-
Consumer staples	32,917	26.0	6,961	18.8
Energy	4,672	3.7	2,197	5.9
Financials	25,699	20.3	9,652	26.1
Healthcare	873	0.7	544	1.5
Industrials	27,875	22.0	3,616	9.8
Information technology	9,202	7.3	3,282	8.9
Materials	16,552	13.1	6,905	18.7
Property	6,931	5.5	3,143	8.5
Utilities	506	0.4	647	1.8
	126,540	100.0	36,947	100.0

As at 31 December 2015, the value of one holding in the equity of an issuer within the consumer staples sector is 23.9% of the net asset value of the Company (31 December 2014: 16.5%). There are no other holdings with value exceeding 10% of the net asset value of the Company as at 31 December 2015. As at 31 December 2014, the value of one holding in the equity of an issuer within the materials sector was 13.4% of the net asset value of the Company and the value of one holding in the equity of an issuer within the financials sector was 11.0% of the net asset value of the Company.

The Company does not hold any interests of more than 10% in the equity of the issuers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Analysis of financial assets at fair value through profit or loss by country of incorporation of the issuer:

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
SR Vietnam	126,475	36,876
Singapore	65	71
Total	<u>126,540</u>	<u>36,947</u>

Analysis of financial assets at fair value through profit or loss by currency of denomination:

	As at 31 December	
	2015	2014
Vietnamese dong	126,475	36,876
Singapore dollar	65	71
Total	<u>126,540</u>	<u>36,947</u>

The year-end exchange rates were:

	As at 31 December	
	2015	2014
Vietnamese dong/US dollar	22,485	21,380
Singapore dollar/US dollar	1.42	1.32
Euro/US dollar	0.92	0.83

Net gains arising from changes in the fair values of financial assets at fair value through profit or loss in the year:

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Realised gains on sales of financial assets at fair value	1,059	1,372
Unrealised gains on financial assets at fair value	8,352	3,495
Net gains recognised in profit or loss	<u>9,411</u>	<u>4,867</u>

Net gains arising from changes in the fair values of financial assets at fair value through profit or loss as presented above is calculated with reference to the fair values of assets held at the start of the year and the costs of assets purchased during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FAIR VALUE ESTIMATION

Financial instruments carried at fair value are analysed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement, as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table presents the Company's financial assets (by class) that are measured at fair value:

	Level 1	Level 2	Level 3	Total balance
	US\$'000	US\$'000	US\$'000	US\$'000
<i>At 31 December 2015</i>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	125,901	-	639	126,540
Total financial assets measured at fair value	<u>125,901</u>	<u>-</u>	<u>639</u>	<u>126,540</u>
<i>At 31 December 2014</i>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	36,411	-	536	36,947
Total financial assets measured at fair value	<u>36,411</u>	<u>-</u>	<u>536</u>	<u>36,947</u>

All fair value measurements disclosed are recurring fair value measurements.

Transfers between levels

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

In the years ended 31 December 2015 and 31 December 2014, there were no reclassifications of financial assets and no transfers between levels.

Financial instruments in Level 1

The fair values of financial assets traded in active markets are based on their closing prices at the last official close of the relevant stock exchange on or before the balance sheet date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange which are designated as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 2

There were no holdings in Level 2 financial assets as at 31 December 2015 and as at 31 December 2014.

Financial instruments in Level 3

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in Level 3. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair values.

The Level 3 equity amount at 31 December 2015 and at 31 December 2014 consists of three unlisted equity securities.

The methods used for the valuations of the three unlisted equity holdings are:

- property development company: net asset valuation with a market discount;
- pharmaceutical company: earnings multiple valuation with the application of a marketability discount; and
- telecommunications company: written-down to US\$1.

Valuation process

The research team of the Investment Manager performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are reviewed by the Chief Financial Officer of the Investment Manager. The valuations are reviewed and approved by the Board of the Company on a quarterly basis.

Fair value of unlisted equity securities

The valuation of the holding of shares in a property development company as at 31 December 2015 was US\$587,000 (31 December 2014: US\$486,000) after applying a market discount of 50% (31 December 2014: 50%) to the net asset valuation of the company. The assets of the company comprise a mix of in-progress development projects and land bank. If the net asset valuation was increased/decreased by 20%, this would have resulted in an increase/decrease in value of US\$117,000 (31 December 2014: US\$97,000). If the market discount was higher/lower by 20% this would have resulted in a decrease/increase in value of US\$235,000 (31 December 2014: US\$195,000).

The holding of shares in a pharmaceutical company is valued at US\$52,000 as at 31 December 2015 (31 December 2014: US\$50,000) and reasonable possible changes to the unobservable inputs in the valuation for this holding would not change fair value significantly.

The valuation of the holding of shares in a telecommunications company was marked down to US\$1 as at 31 December 2013 and is unchanged during the year ended 31 December 2015.

No interrelationships between unobservable inputs used in the Company's valuation of its Level 3 equity investments have been identified.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Movement

The following table presents the movement in Level 3 instruments, all of which are in the equity securities class of financial instrument.

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Opening balance	536	488
Total gains recognised in profit or loss, included in "Net gains on financial assets at fair value through profit or loss"	129	167
Total losses recognised in other comprehensive income, included in "Currency translation differences"	(29)	(7)
Sales proceeds	-	(112)
Purchases (exercise of rights)	3	-
Closing balance	639	536
Change in unrealised gains or losses for Level 3 assets held at the period-end and included in "Net gains on financial assets at fair value through profit or loss"	129	56

7. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit or loss	Total
	US\$'000	US\$'000	US\$'000
Assets as per balance sheet			
<i>At 31 December 2015</i>			
Financial assets at fair value through profit or loss	-	126,540	126,540
Receivables	352	-	352
Cash and cash equivalents	2,628	-	2,628
Total	2,980	126,540	129,520
<i>At 31 December 2014</i>			
Financial assets at fair value through profit or loss	-	36,947	36,947
Cash and cash equivalents	86	-	86
Total	86	36,947	37,033

All financial liabilities in the balance sheets at 31 December 2015 and 31 December 2014 were classified as other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Dividends receivable	352	-
Prepayments	16	13
	<u>368</u>	<u>13</u>

9. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Current account in VND	321	43
Current account in US\$	2,307	43
	<u>2,628</u>	<u>86</u>

10. ACCRUED FEES AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Management fee payable (Note 12.1)	-	199
Performance fee payable (Note 12.1)	73	160
Administration and custodian fees payable	36	8
Directors' fees payable (Note 12.2)	79	27
Legal and professional fees payables and accruals	30	45
Other payables and accruals	3	4
	<u>221</u>	<u>443</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL

The Company's authorised share capital at 31 December 2015 and at 31 December 2014 is US\$2,000,000 which is divided into 39,998,000 participating shares of a par value of US\$0.05 each and 100 management shares of US\$1 each.

Management shares

	Number of issued shares	Amount paid-up
		US\$
Balance at 31 December 2015 and at 31 December 2014	100	100

The management shares have been issued to PXP Vietnam Asset Management Limited, the Investment Manager, for the purpose of enabling all the shares to be redeemed without liquidating the Company and to enable the Investment Manager to vote on issues affecting the Company which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the participating shares. The management shares are not redeemable, do not carry any rights to dividends, and on a winding-up rank only for a return of paid up nominal capital *pari passu* out of the assets of the Company after the return of nominal capital paid up on the participating shares. The management shares were fully paid as at 31 December 2014 and as at 31 December 2015.

Participating shares

	Number of issued shares	Net assets attributable to participating shareholders
		US\$'000
Balance at 31 December 2015	19,716,955	129,179
Balance at 31 December 2014	5,902,381	36,603

The participating shares are redeemable on the terms set out in the Prospectus, which include the ability of the Company to limit monthly cash redemptions in specified circumstances. The participating shares do not carry a right to vote; they carry rights to dividends and rights to share in any surplus assets in a winding up after the return of nominal capital paid up on the management shares. All issued participating shares are fully paid.

To ensure the equitable allocation of performance fee (if applicable) between participating shares, the Company issues a new series of shares each time there is a subscription. Performance fee (if applicable) is charged to each series separately. Up to 31 December 2015, at the end of any financial year for which performance fee was payable on the Lead Series, every series on which a performance fee was payable in respect to that financial year would be consolidated into the Lead Series. From 2016 onwards, if a performance fee is payable on more than one series in respect to a financial year, every series on which a performance fee is payable in respect to that financial year will be consolidated into the Lead Series or the earliest issued series on which a performance fee is payable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. SHARE CAPITAL (CONTINUED)

Participating shares (continued)

The number of participating shares issued, redeemed and outstanding in the year was as follows:

	Year ended 31 December	
	2015	2014
	Number of shares	Number of shares
Opening balance	5,902,381	5,917,598
Participating shares issued for cash	5,745,457	820,749
Participating shares issued on acquisition of net assets of PXP Vietnam Fund Limited	12,945,960	-
Participating shares redeemed	(4,879,802)	(821,945)
Participating shares increased/(decreased) on transfers between series	2,959	(14,021)
Closing balance	19,716,955	5,902,381

Movements are shown in the statement of changes in net assets attributable to participating shareholders.

Holdings over 10% of the Company's issued capital

As at 31 December 2015, one shareholder held 2,674,002 participating shares (13.6%) (31 December 2014: nil). As at 31 December 2014, two shareholders held 2,202,631 participating shares (37.3%) and 927,134 participating shares (15.7%), respectively.

As at 31 December 2015, the Investment Manager, PXP Vietnam Asset Management Limited, and the owners of the ultimate holding company of the Investment Manager, Mr Kevin Snowball and Ms Joelle Daumas-Snowball, held a combined beneficial interest of 1,477,071 shares (7.5%) (31 December 2014: 788,598 shares (13.4%)) in the Company's participating shares.

No other shareholders held more than 10% of the Company's issued capital as at 31 December 2015 or as at 31 December 2014.

12. RELATED PARTY TRANSACTIONS

12.1 Investment Manager

The Company is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands.

Fees

The Company pays to the Investment Manager a monthly management fee which from 1 January 2015 is equal to one-twelfth of 1.5% of the net asset value of the Company, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. Prior to this date the monthly management fee rate was one-twelfth of 2%. Total management fee payable to the Investment Manager for the year ended 31 December 2015 was US\$1,656,416 (31 December 2014: US\$781,601) and the outstanding fee payable at 31 December 2015 was nil (31 December 2014: US\$199,403).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

12.1 Investment Manager (continued)

Fees (continued)

The Investment Manager is also entitled to receive an annual performance fee for increases in the net asset value per share subject to adjustments for the "high water mark" so that any losses from prior periods must be recouped before a performance fee is earned and a hurdle rate of 8% per annum which is applied to the higher of the opening net asset value or high water mark for each share at the start of each year.

Performance fee payable from 1 January 2015 was equal to 15% of the excess of the year-end net asset value per share (before deduction of performance fee accrual) above the hurdle for that share. Prior to this date the performance fee rate was 20%. If shares are redeemed during a year, any accrued performance fee on such shares will be payable to the Investment Manager at the time of the share redemption. Total performance fee payable to the Investment Manager for the year ended 31 December 2015 was US\$80,667 (31 December 2014: US\$252,627) of which US\$7,846 was paid out during the year (2014: US\$92,596) and US\$72,821 was payable at 31 December 2015 (31 December 2014: US\$160,031).

Shares

Movements in combined beneficial interests in the Company's participating shares held by the Investment Manager and the owners of the ultimate holding company of the Investment Manager, Mr Kevin Snowball and Ms Joelle Daumas-Snowball:

	Year ended 31 December	
	2015	2014
	Number of shares	Number of shares
Opening balance of shares	788,598	787,598
Participating shares acquired	-	1,000
Participating shares received in exchange for shares of PXP Vietnam Fund Limited	795,487	-
Participating shares redeemed	(107,014)	-
Closing balance of shares	1,477,071	788,598

Following the exchange of shares on the acquisition of the net assets of PXP Vietnam Fund Limited, effective 2 February 2015 the Investment Manager and the owners of the ultimate holding company of the Investment Manager received a combined beneficial interest of 795,487 shares in the Company's participating shares in exchange for the 737,361 ordinary shares of PXP Vietnam Fund Limited previously held.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

12.2 Directors

Remuneration

The Board of Directors of the Company determines the fees payable to each director, subject to a maximum aggregate amount per annum payable to the Board as a whole, as set out in the Prospectus of the Company. In the Prospectus of the Company as updated in November 2014 the aggregate amount was set at US\$80,000 and this was increased to US\$120,000 on the appointment of new directors on 16 April 2015.

The total directors' remuneration for the year ended 31 December 2015 was US\$81,086 (2014: US\$27,000) and the outstanding directors' fees payable as at 31 December 2015 was US\$78,836 (31 December 2014: US\$27,000).

Shares

Following the exchange of shares on the acquisition of the net assets of PXP Vietnam Fund Limited, effective 2 February 2015 a trust of which Philip Smiley's family members are the principal beneficiaries received 44,232 participating shares in the Company in exchange for the 41,000 ordinary shares of PXP Vietnam Fund Limited it previously held.

At no time during the year did any Director have any other direct or indirect interest in the shares of the Company.

13. CUSTODIAN, ADMINISTRATION AND SECRETARIAL FEES

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Custodian and administration fees	197	93
Company secretarial fees	2	2
	<u>199</u>	<u>95</u>

14. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2015	2014
	US\$'000	US\$'000
Legal and professional fees	54	51
Insurance	13	5
Other expenses	35	11
	<u>102</u>	<u>67</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INCOME TAX EXPENSE

The Company incurred no income tax expense for the years ended 31 December 2015 and 31 December 2014.

16. NET ASSET VALUE PER SHARE

	As at 31 December	
	2015	2014
Net assets attributable to participating shareholders (US\$)	129,179,000	36,603,000
Number of shares in issue (Note 11)	19,716,955	5,902,381
Net asset value per share (US\$ per share) (average)	6.552	6.201

The average net asset value per share is determined by dividing the net assets attributable to participating shareholders by the number of participating shares issued and outstanding at the balance sheet date.

Net asset value per share for each series in issue at the balance sheet dates:

	As at 31 December	
	2015	2014
	US\$	US\$
Series 1 (Lead Series)	6.531	6.089
Series 1A	6.777	6.319
Series 1B	6.777	6.319
Series 1C	6.530	-
Series 12*	-	6.255
Series 13	-	6.153
Series 14	6.530	-
Series 15	6.497	-
Series 16	6.505	-
Series 17	6.487	-
Series 18	6.530	-
Series 19	6.531	-
Series 20	6.530	-
Series 21	6.510	-
Series 22	6.497	-
Series 23	6.530	-
Series 24	6.529	-

* This series on which a performance fee was payable in respect to the year ended 31 December 2014 was consolidated into the Lead Series in January 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS

17.1 Financial risk factors

The Company invests in equity securities for the long term so as to achieve its investment objective, as set out in Note 1. All securities investments present a risk of loss of capital. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks include market price risk, interest rate risk, credit risk, liquidity risk, currency risk and conversion risk. The risk management policies employed by the Company to manage these risks are set out below.

17.1.1 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market.

The Company is exposed to market price risk on all of its investments. Currently most of the investments of the Company are in equity securities of listed Vietnamese companies, resulting in a concentration of market price risk as the value of the financial assets of the Company are particularly heavily dependent on the performance of the Vietnam stock exchanges.

The Company's Investment Manager, PXP Vietnam Asset Management Limited, provides a continuous investment programme for the Company's assets, including seeking suitable investments for the Company, determining the appropriate time for the disposal of its investments, and the provision of investment research and advice with respect to all investments and cash equivalents comprised in the Company's assets. The performance of investments held by the Company is monitored closely by the Investment Manager. In monitoring the investments, the Investment Manager reviews all relevant financial statements and maintains contact to the extent possible with the board and management of the investee companies.

The Company invests across a range of industries. The current intention is to invest no more than 40% of the Company's assets at the time of investment in any one sector.

Market price risk - sensitivity analysis

The following table summarises the sensitivity of the Company's net assets and average NAV per share to movements in the Viet Nam Index ("VNI"), which is the capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange, as at 31 December 2015. The analysis is based on the assumptions that the VNI increased and decreased by 20% with all other variables held constant and that the fair value of the Company's portfolio of equity securities moved according to their historical correlation with the VNI. The historical beta of the Company's equity portfolio with upward movements in the VNI is 0.82 (31 December 2014: 0.75) of the index gain and 0.62 (31 December 2014: 0.64) of downward movements in the index.

	As at 31 December			
	2015		2014	
	Net assets/ Profit or loss US\$'000	NAV per share US\$	Net assets/ Profit or loss US\$'000	NAV per share US\$
Effect of a 20% increase in the VNI	20,753	1.05	5,542	0.94
Effect of a 20% decrease in the VNI	(15,691)	(0.80)	(4,729)	(0.80)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS (CONTINUED)

17.1.1 Market price risk (continued)

Market price risk - sensitivity analysis (continued)

The Investment Manager uses the VNI as a reference point. However, the Investment Manager does not manage the Company's investment strategy to track the VNI or any other index or external benchmark. The sensitivity analysis presented is based upon the historical correlation of the Company's investment portfolio to the VNI. The composition of the Company's investment portfolio and the correlation to the VNI can be expected to change over time. The sensitivity analysis prepared as at 31 December 2015 is not necessarily indicative of the effect on the Company's net assets and NAV per share of future movements in the VNI.

17.1.2 Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate in value as a result of changes in interest rates.

The majority of the Company's financial assets are non-interest bearing. As a result, the Company does not have direct exposure to a significant amount of risk due to fluctuations in the prevailing level of market interest rates. The Company may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Company invests. The investment research team of the Investment Manager incorporates exposure to interest rate changes in its valuation models for investee companies when appropriate.

17.1.3 Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. For transactions of listed securities in Vietnam, the risk of default is considered minimal as it is a pre-funding market. The availability of cash for a buy trade or securities for a sell trade is confirmed to the relevant broker by the custodian bank before trade execution. Securities are settled through the Vietnam Securities Depository and the cash settlement is outsourced to a Vietnamese State-owned bank.

Up to 31 December 2015, the bank accounts of the Company were held at one bank in Hong Kong that had a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 31 December 2015 and in the Vietnam subsidiary of the same bank which does not have a separate credit rating.

From January 2016, the bank accounts of the Company were transferred to the Hong Kong branch of a Singapore bank that has a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 15 April 2016 and in the Vietnam subsidiary of a United Kingdom bank which does not have a separate credit rating.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS (CONTINUED)

17.1.3 Credit risk (continued)

The maximum exposure to credit risk at the balance sheet dates is the carrying amount of the financial assets as set out below.

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Dividends receivable	352	-
Cash and cash equivalents	2,628	86
	<hr/>	<hr/>
Total	2,980	86
	<hr/> <hr/>	<hr/> <hr/>

None of these financial assets is either past due or impaired at the balance sheet dates.

17.1.4 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

For all purchases of listed securities in Vietnam, as it is a pre-funding market, the Company will have sufficient cash available before trade execution to settle the liability.

When making investments in prelisting companies, the intention of the Company is that liquidity will be provided by the subsequent listing of the shares of the prelisting company. However, the length of time before a prelisting company completes a listing of its shares usually cannot be forecasted accurately at the time of investment, and it is possible that in certain cases the prelisting company does not accomplish a listing and the Company will be holding a relatively illiquid investment.

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Association limit such borrowings to a percentage of the latest available net asset value of the Company at the time of the borrowing, such percentage being specified in the current Prospectus of the Company as 25%. No such borrowings have arisen during the year.

The Company is exposed to monthly cash redemptions of shares. Substantial withdrawals by investors within a short period of time could require the Company to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Company's assets and/or disrupting the Company's investment strategy.

The policy of the Company is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Investments in prelisting equity investments are restricted to no more than 10% of the Company's assets at the time of investment.

In order to manage the Company's overall liquidity, the maximum net redemption on each dealing day (usually the first business day in each month) will be restricted to the average daily turnover at the Ho Chi Minh City Stock Exchange of the 10 business days preceding that dealing day.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS (CONTINUED)

17.1.4 Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than one month	One month to 12 months
	US\$'000	US\$'000
<i>At 31 December 2015</i>		
Performance fee payable	-	73
Redemptions payable	136	-
Accrued fees and other payables	39	109
	<u>175</u>	<u>182</u>
<i>At 31 December 2014</i>		
Performance fee payable	-	160
Management fee payable	199	-
Accrued fees and other payables	45	39
	<u>244</u>	<u>199</u>

If it was required, the Company could sell listed equity securities to raise sufficient cash in less than 5 days to settle outstanding financial liabilities as presented above.

Participating shares of the Company may be redeemed on demand at the holder's option on any dealing day after giving notice of 30 business days, for cash equal to the net asset value per share of the relevant series as adjusted for the applicable redemption fee and any price adjustments and transactions costs as set out in the Prospectus. The balance of net assets attributable to holders of participating shares may be regarded as having a contractual maturity of 30 business days. The Directors do not envisage that this contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically hold them for the medium to long term.

17.1.5 Currency risk and conversion risk

Foreign exchange risk

The functional currency of the Company is the Dong. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in a currency other than the functional currency fluctuate due to changes in foreign exchange rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS (CONTINUED)

17.1.5 Currency risk and conversion risk (continued)

Foreign exchange risk (continued)

Management monitors the exposure on all foreign currency denominated assets and liabilities. The table below summarises the Company's monetary assets and monetary liabilities which are denominated in a currency other than the Dong.

	As at 31 December	
	2015	2014
	US\$'000	US\$'000
Amounts denominated in US\$		
Monetary assets	2,307	42
Monetary liabilities	(357)	(443)

Currency risk - sensitivity analysis

As at 31 December 2015, had the US dollar strengthened by 5% in relation to the Dong, with all other variables held constant, there would be a net exchange gain arising from cash and payables denominated in US dollar which is estimated as US\$97,000 (net exchange loss as at 31 December 2014: US\$20,000). A 5% devaluation of US dollar against the Dong would give an estimated equal but opposite net exchange loss.

Conversion risk

The majority of the Company's investments are denominated in Dong and pay dividends in Dong. Shareholders' investments in the Company are made in US dollar, and the Company converts such US dollar into Dong prior to making investments. The Company will need to convert Dong to a foreign currency to make distributions, if any, to shareholders or to settle redemptions of participating shares, but the Dong currently is not a freely convertible currency. There have been occasions in the past when there was limited availability of hard currency in the Vietnam banking system, and this situation may recur. The most recent such period ended in the first half of 2011. It is possible that the Company may have difficulty accomplishing the conversion of Dong into foreign currencies, or such conversion may only be possible at exchange rate levels at which the Company will suffer considerable exchange losses. Any delay in conversion increases the Company's exposure to devaluation of the Dong against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

The Company may seek to hedge against a decline in the value of the Company's investments in US dollar terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument as at 31 December 2015 and as at 31 December 2014.

17.2 Capital risk management

The capital of the Company is represented by the net assets attributable to shareholders. The amount of net assets attributable to holders of participating shares could change significantly on a monthly basis as the Company is subject to monthly subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain a strong capital base to support the development of the investment activities of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISKS (CONTINUED)

17.2 Capital risk management (continued)

In order to maintain or adjust the capital structure, the Company's policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within one month; and
- Redeem and issue new shares in accordance with the Prospectus of the Company, which includes the ability to restrict redemptions and require certain minimum holdings and minimum subscription levels.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to shareholders.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 15 April 2016.

FULL PORTFOLIO LISTING

Investments as at 31 December 2015	Valuation	% of NAV
	US\$'000	%
Viet Nam Dairy Products JSC (Vinamilk)	30,923	23.9
Ho Chi Minh City Securities Corporation	12,150	9.4
FPT Corporation	9,137	7.1
Hoa Phat Group JSC	8,589	6.6
Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank)	6,839	5.3
Danang Rubber JSC	6,608	5.1
Cotec Construction JSC	5,671	4.4
Vietnam Container Shipping JSC	5,662	4.4
Refrigeration Electrical Engineering Corporation (REE)	5,269	4.1
Petrovietnam Drilling and Well Services Corporation	4,642	3.6
Vndirect Securities Corporation	2,478	1.9
Dong Phu Rubber JSC	2,473	1.9
Hoang Anh Gia Lai JSC	2,257	1.7
Military Commercial Joint Stock Bank	2,207	1.7
Nui Nho Stone JSC	2,175	1.7
Asia Commercial Joint Stock Bank (ACB)	2,025	1.6
Hoang Huy Investment Services Joint Stock Company	1,827	1.4
Binh Duong Minerals and Construction JSC	1,811	1.4
Thu Duc Housing Development Corporation	1,286	1.0
Development Investment Construction JSC	1,135	0.9
Binh Chanh Construction Investment Shareholding Company	1,095	0.8
Binh Thanh Import-Export Production & Trade JSC	1,070	0.8
Bentre Aquaproduct Import and Export JSC	1,027	0.8
National Seed JSC	967	0.8
Gemadept Corporation	848	0.7
The Southern Rubber Industry JSC	831	0.6
Hoa Sen Group	646	0.5
SSG Group JSC *	587	0.5

* Unlisted holding

FULL PORTFOLIO LISTING (CONTINUED)

Investments as at 31 December 2015	Valuation	% of NAV
	US\$'000	%
Nam Long Investment Corporation	571	0.4
Can Don Hydro Power JSC	506	0.4
Imexpharm Pharmaceutical JSC	495	0.4
Tien Phong Plastic JSC	483	0.4
Dry Cell and Storage Battery JSC	383	0.3
Hoa Binh Rubber JSC	372	0.3
SMC Investment Trading JSC	338	0.3
DHG Pharmaceutical JSC	325	0.3
Savimex Corporation	243	0.2
Fecon Foundation Engineering and Underground Construction JSC	181	0.1
Tay Ninh Rubber JSC	148	0.1
Petrovietnam Tourism and Services JSC	112	0.1
Ellipsiz Limited	65	0.1
Vidipha Central Pharmaceutical JSC *	52	0.0
Vinacomin - Coc Sau Coal JSC	30	0.0
Saigon Post & Telecommunications Services JSC *	1	0.0
Total holdings	126,540	98.0
Cash and other net assets/(liabilities)	2,639	2.0
	129,179	100.00

* Unlisted holding

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ADMINISTRATOR AND REGISTRAR from 1 January 2016

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CUSTODIAN from 1 January 2016

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ADMINISTRATOR'S AND REGISTRAR'S AGENT from 1 January 2016

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VIETNAM SUB-CUSTODIAN up to 31 December 2015

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 Vietnam

VIETNAM SUB-CUSTODIAN from 1 January 2016

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